

Towards a Renewal of Economics as a Social Science

104 Professors of the German-speaking World Issue Memorandum for Paradigmatic Openness and the Integration of Ethical Reflection into Economics

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Preliminary note

The memorandum primarily addresses the situation of economics as an academic discipline, including management, in the German-speaking world (that is, most prominently Germany, but also Switzerland and Austria). Hence, most of the articles mentioned below are in German. The phrases used are our own translations. The original memorandum was published on 4 April 2012. Its initial signers were 104 professors from a wide variety of academic disciplines (sociology, economics, philosophy, political science, education science, and many others). Over the course of the past three weeks, approximately 600 scholars, students, and professionals have signed the memorandum.

The ongoing financial crisis has revealed a pervasive crisis of economics as an academic discipline:

- Today, even established scholars like Thomas Straubhaar call for an «[end to economic imperialism](#)» and advocate a fundamental «renewal of [economic] theory», that is, a departure from the currently predominant core paradigm of economics, adopted as the solely legitimate scholarly perspective for addressing economic issues. It is worth noting that outside of the German academic scene there is a wider awareness of the need of a «[New Economic Thinking](#)», resting on the assumption that economics actually has [lost its paradigm](#).
- Several established scholars [concede](#) that most mainstream economists did not anticipate the financial crisis. On the contrary, many observers and some scholars regard mainstream economics as being responsible for laying the [theoretical groundwork](#) for an economic policy that caused and increased the crisis. Two core components of this theoretical groundwork are the so-called «efficient market hypothesis» and an understanding of «rationality» as represented by «homo oeconomicus».
- Moreover, it is widely held that economists legitimized policies characterized as «neoliberal», or as «[market-compliant](#)». This has led to growing disparities in income and wealth which are regarded as [another source](#) and an important dimension of the current crisis.
- Student groups call for an integration of [ethical reflection](#) as a «golden thread» of the economics curriculum in order to enable economic practitioners to act in a responsible manner.
- [Social scientists](#) from a wide variety of disciplines as well as [human resources managers](#) are concerned that studying economics today fosters an «economization» of thinking which is regarded as highly questionable from an ethical perspective.
- For quite some time already, students of economics have been criticizing the «[disregard for concrete realities](#)» of the mainstream economic thinking they are confronted with in class. The trend towards mathematization and quantification neglects the fact that economics, at its core, is a social science, not a natural science, and needs to be regarded as part of the humanities.

These erroneous trends, widely criticized, are not just ivory-tower problems within economics as an academic discipline, but rather issues of overall significance for society at large. In a society where economic patterns of rationality pervade and economize nearly every aspect of life, a distanced and unbiased perspective is needed in order to evaluate these developments. However, the standard career paths currently dominant in academic mainstream economics prevent the development of substantially different perspectives on economic issues. In order to further their careers, young scholars today are being forced to publish articles in highly specialized scholarly journals that only take into account

mainstream positions. Swiss economist Bruno S. Frey has called this deplorable practice «[academic prostitution](#)» because young scholars' intrinsic research interests are being systematically replaced by opportunism. This has led to a dogmatic encapsulation of economics as paradigmatic innovation is systematically discriminated against. We believe that this situation is untenable because it prevents scholars from advancing knowledge.

Every discipline needs paradigmatic diversity. Currently, the predominant way of addressing economic activity lies exclusively in the domain of a single paradigm. This paradigm, albeit in different variants, is dedicated to the «advocacy of the market» (Friedrich Breyer). Economics, as an academic discipline, needs to escape this circle of paradigmatic encapsulation. Paradigmatic pluralism is urgently needed especially in times of crises, and given the current circumstances outlined above, the process of opening the discipline for fundamentally new views also needs to be initiated from [outside](#) of the ivory tower of economics.

- We, the signatories of this memorandum, therefore would like to encourage economists to foster a culture of paradigmatic openness. This includes the active encouragement of perspectives which deviate, or even fundamentally [oppose](#), mainstream economic thinking. It includes being interested in open discourse on these different perspectives in order to foster and revive a culture of open, fair, and constructive debate. A discipline that has secluded itself from critical reflection on its paradigmatic and normative fundamentals is a «science» in name only.
- We ask the authorities of higher education who are politically responsible for maintaining its scientificity to set the course of research policy so as to ensure that paradigmatic pluralism finds its way back into economics again. This should include incentives for decreasing the reliance on publishing rankings solely based on bibliometric criteria when it comes to assessing and directing academic careers. Currently, such ratings first and foremost only guarantee [conformity](#) with the mainstream paradigm. Scientific progress and the advancement of academic insights cannot be measured based on publishing output but need to be assessed substantially and argumentatively.
- We ask the authorities of higher education responsible for setting up academic curricula to integrate heterodox and multidisciplinary views into the curricula of economics programs. This includes in particular the integration of courses which critically reflect on the ethical consequences of economic policy as well as the ethical foundations of economic theory.
- We ask the institutions responsible for funding research to ensure that the allocation of research grants maintains paradigmatic pluralism and avoids academic monism. Special care needs to be taken to ensure that financial power and financial interests do not encroach on academia and undermine its paradigmatic pluralism.

Economics, by its recommendations and by the world view it conveys, [pervasively affects](#) society at large in a wide variety of ways, by and large unrecognized by «[practical men](#)», as Keynes put it. As a mature discipline and a branch of the social sciences, void of dogmatism, economists should aspire to contribute to the good life of everybody and a fair society and economy. We believe that constructive controversies on the basic and specific meaning of this assertion, carried by a culture of open-minded and fair debate, should become an ordinary part of research and teaching.

Please feel free to support the memorandum. It can be signed [here](#).

*Abridged and edited translation, 20 April 2012. Available online here:
www.mem-wirtschaftsethik.de/memorandum-2012/das-memorandum/the-memorandum/.